

August 6, 2009

President Barack Obama The White House 1600 Pennsylvania Avenue, N.W. Washington, DC 20500

Dear Mr. President:

We write to express our strong support for the inclusion of a package of initiatives, including a border adjustment mechanism, to ensure the viability and effectiveness of any climate change policy crafted by Congress.

As Congress considers energy and climate legislation, it is important that such a bill include provisions to maintain a level playing field for American manufacturing. Manufacturing accounts for more than 10 percent of our economy and nearly three-fourths of the nation's industrial research and development. Manufacturing jobs also pay 20 percent more on average than service jobs and have a strong multiplier effect. Therefore it is essential that any clean energy legislation not only address the crisis of climate change, but include strong provisions to ensure the strength and viability of domestic manufacturing. Further, any climate change legislation must prevent the export of jobs and related greenhouse gas emissions to countries that fail to take actions to combat the threat of global warming comparable to those taken by the United States.

Measures to ensure that U.S. manufacturers do not bear the brunt of our climate change policy could include: short-term transition assistance in the form of rebates provided to energy-intensive and trade-exposed industries; negotiating objectives requiring any international agreement to address manufacturing competiveness; effective means to measure, monitor, verify, and hold countries accountable for emissions reductions; and policies that promote investments in energy efficient and clean technology manufacturing and help the sector retool for the clean energy economy.

In addition, a longer-term border adjustment mechanism is a vital part of this package to prevent the relocation of carbon emissions and industries if other major carbon emitting countries fail to commit to an international agreement requiring commensurate action on climate change. We believe that a border adjustment mechanism is critical to ensuring that climate change legislation will be trade neutral and environmentally effective.

As you know, production of many energy-intensive goods, such as iron ore, cement, and glass, occurs under vastly differing conditions. For example, steel produced in China results in roughly three times as much carbon being emitted into the atmosphere as steel produced here in the United States. In the absence of an adequate international agreement, a border measure could

help to prevent countries from responding to climate change less rigorously than the United States and undercutting the effectiveness of our climate policy by shifting, rather than reducing, greenhouse gas emissions.

The border adjustment mechanism could also assist efforts to reach a global climate change agreement at the upcoming United Nations Framework Convention on Climate Change (UNFCCC) summit in Copenhagen. By eliminating the competitive benefit of not acting to address this global problem, it should spur countries to reach a comprehensive accord. The border adjustment can be avoided in those energy intensive industries for nations that reach a binding, equitable, and verifiable international agreement or international sectoral agreements. Recently, the World Trade Organization (WTO) and the United Nations Environment Program issued a report confirming that WTO rules do not override environmental measures. This reflects the reality that the international community will look at border adjustment measures in the context of international global warming goals. Failure to do so would further elevate doubts about the legitimacy of our international trading system.

Climate change is a reality and the world cannot afford inaction. However, we must not engage in a self-defeating effort that displaces greenhouse gas emissions rather than reducing them and displaces U.S. jobs rather than bolstering them. Domestic manufacturers and the workers they employ can and must play a vital role in our nation's clean energy future. It is essential that climate change legislation include a border mechanism, sufficient allowances to energy intensive industries and other effective measures that encourage international agreements and maintain a level playing field for American manufacturers. We would find it extremely difficult to support a final measure that does not effectively deal with these important issues.

We look forward to working with you and your Administration to ensure that climate change legislation does not produce an international race to the bottom.

Sincerely,

Sherrod Brown

United States Senator

Debbie Stabenow

United States Senator

Russell D. Feingold

United States Senator

Carl Levin

United States Senator

Evan Bayh United States Senator

Robert P. Casey United States Senator

Robert C. Byrd United States Senator

Arlen Specter United States Senator

John D. Rockefeller IV United States Senator

Al Franken United States Senator

CC: Senator Harry Reid, Majority Leader
Senator Max Baucus, Chairman, Senate Committee on Finance
Senator Barbara Boxer, Chairman, Senate Committee on Environment and Public Works